

LAND BANK FAST TRACK AUTHORITIES

LAND BANK AUTHORITIES

What is a Land Bank?

- A land bank is a public authority created to efficiently acquire, hold manage and develop tax-foreclosed property, as well as other vacant, blighted, obsolete and abandoned properties.

What is the problem?

- Recent changes to Michigan's tax foreclosure laws were helpful, but the Land Bank concept completes the solution...
 - Eliminates the loss of local control common to property sales at tax auctions
 - Minimizes contagious blight
 - Eliminates low-end speculation
 - Increases land sale proceeds resulting from higher property value

How do you create a Land Bank Authority?

- The process to create a Land Bank Authority is similar to the process required to create a Brownfield Redevelopment Authority with 2 exceptions: a requirement to enter into an intergovernmental agreement with the State Land Bank Fast Track Authority and the requirement to have the county treasurer as a member of the authority.
 - The County Board of Commissioners provides for public comment on the creation of a Land Bank Authority
 - The County Board of Commissioners passes a resolution to create the Authority
 - The County Treasurer negotiates an intergovernmental agreement with the State Land Bank Fast Track Authority.
 - County Board of Commissioners appoints members to the Authority Board
 - The Authority adopts by-laws, policies and procedures

A county foreclosing governmental unit may, with the approval of the board of commissioners for that county, enter into an intergovernmental agreement with the state authority providing for the exercise of the powers, duties, functions, and responsibilities of an authority. If a county authority is created under this subsection, the treasurer of the county shall be a member of the authority board.

The intergovernmental agreement must provide for all of the following:

- (a) The incorporation of a county authority as a public body corporate.
- (b) The name of the authority.
- (c) The size of the initial governing body of the county or local authority, which shall be composed of an odd number of members.
- (d) The qualifications, method of selection, and terms of office of the initial board members.
- (e) A method for the adoption of articles of incorporation by the governing body of the county or local authority.
- (f) A method for the distribution of proceeds from the activities of the county or local authority.
- (g) A method for the dissolution of the local or county authority and for the withdrawal from the authority of any governmental agencies involved.
- (h) Any other matters considered advisable by the participating governmental agencies, consistent with this act.



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LAND BANK FAST TRACK ACT - Public Act 258 of 2003

A county foreclosing governmental unit may, with the approval of the board of commissioners for that county, enter into an intergovernmental agreement with the State Authority providing for the exercise of the powers, duties, functions, and responsibilities of an authority under this act and for the creation of a county authority to exercise those functions. The land bank legislation contains an extensive list of management powers.

- Helps governmental entities in the assembly and clearance of title to property
- Facilitates use and development of property
- Provides for economic growth
- Provides a mechanism for establishing a “clear title” on properties it acquires
- Authorizes the enforcement of tax liens and the clearing or quieting of title
- Provides the legal foundation for a tax foreclosure and land banking strategy
- Creates flexibility in the disposition of tax foreclosed property
- Provides a funding mechanism to acquire, manage, clear, demolish, rehabilitate and develop tax foreclosed land
- Includes a provision that such powers are to be broadly construed to grant complete control to the land bank
- Provides governmental immunity from liability for voluntary acquisitions
- Provides that the Land Bank receives 50 % of the property tax revenues for the first five years after transfer of property to a private party
- Permits a Land Bank to borrow money and issue tax-exempt financing

An Authority may borrow money, issue bonds, solicit grants and retain proceeds it receives from the sale or rental of property in order to execute its responsibilities. If a county authority is created, the treasurer of the county must be a member of the authority board. The statute leaves the composition of the Board open to local determination, requiring only that:

- it have an odd number of members and
- that the County Treasurer be one of the members.

Land Bank Fast Track Authorities **do not** have the power of eminent domain.

Properties owned by the Land Bank qualify for and are eligible for all of the incentives under the various brownfield redevelopment programs. Those incentives include Brownfield Tax Increment Financing as well as grants and loans for assessment and cleanup of contaminated sites. The next section provides information about all the tools available from Michigan’s brownfield laws.



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BROWNFIELD TAX INCREMENT FINANCING

One of the most beneficial incentives under Michigan's Brownfield Laws is the ability to capture tax increments to help pay for eligible expenses established under the law. The tax increment is the increase in taxable value resulting from improvements made to the brownfield site. Key elements are as follows:

- The cleanup and redevelopment of a brownfield property will increase the value of the property.
- The result is an increase in the property tax revenues from that property.
- The increase in tax revenue is the "tax increment."
- The increased tax revenues are known as "captured taxes."
- These captured taxes can then be used to pay the expenses for eligible environmental response and redevelopment activities.

HOW CAPTURED TAXES CAN BE USED - Captured taxes can be used to cover the costs of one or more eligible activities that are conducted at the eligible brownfield property from which the captured taxes are generated.

MICHIGAN PUBLIC ACT 381 ELIGIBLE PROPERTY – An eligible property:

- was used or is currently used for commercial, industrial or residential purposes,
- is owned or under the control of a land bank fast track authority, and
- is contaminated, or
- functionally obsolete, or blighted

MICHIGAN PUBLIC ACT 381 ELIGIBLE ACTIVITIES

- Activities directly related to cleaning up, controlling or preventing the exacerbation of contamination on the brownfield site
- Sidewalks
- Streets and roads
- Parking facilities
- Pedestrian malls
- Alley
- Bridge
- Sewers and sewage treatment plant
- Property designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination
- Assistance to a land bank authority in clearing or quieting title to, or selling or otherwise conveying property owned or under the control of the land bank fast track authority
- Drainage systems
- Waterways
- Water lines and water storage facilities
- Rail lines, utility lines or pipelines
- Or other similar or related structures or improvements
- Demolition that is not a response activity.
- Lead or asbestos abatement.
- Site preparation that is not a response activity.
- The eligible activities and the cost of preparing and approving brownfield work plans, and
- The cost of principal and interest of any obligations issued by the authority to finance eligible activities

